

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF NICARAGUA
REGARDING THE REDUCTION
OF CERTAIN DEBTS OWED TO, GUARANTEED BY, OR INSURED BY
THE UNITED STATES GOVERNMENT

The Government of the United States of America (the "United States") and the Government of the Republic of Nicaragua ("Nicaragua") agree as follows:

ARTICLE I

Application of the Agreement

1. Pursuant to the recommendations contained in the Agreed Minute on the Consolidation of the Debt of the Republic of Nicaragua, signed on December 13, 2002, the applicable domestic laws of the United States and Nicaragua, and the September 1999 commitment of the President of the United States to provide 100 percent debt forgiveness to certain Heavily Indebted Poor Countries, the United States and Nicaragua hereby agree to the reduction of certain Nicaraguan payments due as a result of debts owed to, guaranteed, or insured by the United States Government.
2. With respect to amounts owed to the Export-Import Bank of the United States (Ex-Im), the Department of Defense (DoD), and the United States Agency for International Development (USAID), each agency will notify Nicaragua of the amounts reduced hereunder. This Agreement will be further implemented by a separate agreement (the "Implementing Agreement") between Nicaragua and the United States Department of Agriculture (USDA) with respect to PL-480 Agreements.

ARTICLE II

Definitions

1. "Contracts" mean those agreements or other financial arrangements that have maturities under:
 - (a) commercial credits guaranteed or insured by the United States or its Agencies, having original maturities of more than one year, which (i) were extended to the Government of Nicaragua, the Nicaraguan public sector or the Nicaraguan Central Bank, or covered by the guarantee of the Government of Nicaragua, the Nicaraguan public sector or the Central Bank of Nicaragua and (ii) were concluded before June 20, 1999;
 - (b) loans having original maturities of more than one year, which (i) were extended to the Government of Nicaragua or to the Nicaraguan public sector, or covered by the guarantee of the Government of Nicaragua, the Nicaraguan public sector or the Central Bank of Nicaragua and (ii) were concluded before June 20, 1999; and
 - (c) bilateral debt rescheduling agreements ("Rescheduling Agreements") between the United States and Nicaragua signed on May 13, 1992, August 28, 1995 and October 20, 1998 as amended on May 19, 1999.

A table listing the relevant Contracts to be included under the reduction is attached hereto as Annex A.

Debt service due as a result of debts described above and effected through special payments mechanisms or other external accounts is covered by this Agreement.

2. "Consolidation Period" means: (a) the period from October 1, 2002 through September 30, 2003, inclusive, if the conditions set forth in Article IV, paragraph 1 of this Agreement are satisfied; (b) the period from October 1, 2002 through September 30, 2004, inclusive, if the conditions set forth in Article IV, paragraphs 1 and 2 of this Agreement are satisfied; or (c) the period from October 1, 2002 through September 30, 2005, inclusive, if the conditions set forth in Article IV, paragraphs 1, 2, and 3 of this Agreement are satisfied.
3. "Late Interest Charges" means interest on unpaid principal and unpaid interest accrued from the original contractual due date through September 30, 2002 and not paid in accordance with the terms of the Contracts, notwithstanding the payment of such principal and interest after the original due dates.
4. "Consolidated Arrears" mean 100 percent of the amounts of unpaid principal and interest, including Late Interest Charges, due as of September 30, 2002, inclusive, under the Contracts specified in this Article.
5. "Consolidated Debt" means 100 percent of the amounts of principal and interest falling due during the Consolidation Period under the Contracts specified in this Article.
6. "Minute" means the Agreed Minute on the Consolidation of the Debt of the Republic of Nicaragua, signed on December 13, 2002.
7. "Participating Creditor Countries" means creditor countries that are signatories to the Minute.
8. "Completion Point" means the date on which the Boards of the International Monetary Fund (IMF) and the World Bank decide that the Republic of Nicaragua has reached its Completion Point as defined under the Enhanced Debt Initiative for the Heavily Indebted Poor Countries.

ARTICLE III

Terms and Conditions of Payment

1. The amount equal to 100 percent of the Consolidated Debt and Consolidated Arrears is hereby cancelled.

A table summarizing the amount of Consolidated Debt and Consolidated Arrears to be cancelled if the Consolidation Period is October 1, 2002 to September 30, 2003, inclusive, is attached hereto as Annex B1. A table summarizing the amount of Consolidated Debt and Consolidated Arrears to be cancelled if the Consolidation Period is October 1, 2002 to September 30, 2004, inclusive, is attached hereto as Annex B2. A table summarizing the amount of Consolidated Debt and Consolidated Arrears to be cancelled if the Consolidation Period is October 1, 2002 to September 30, 2005, inclusive, is attached hereto as Annex B3.

2. Adjustments in the amounts of Consolidated Debt and Consolidated Arrears may be made in writing, as necessary and by mutual consent.

ARTICLE IV

General Provisions

1. The provisions of this Agreement will apply during the period October 1, 2002 through September 30, 2003, inclusive, provided Nicaragua continues to have an appropriate arrangement with the International Monetary Fund (IMF).
2. The provisions of this Agreement will be extended to apply during the period October 1, 2002 through September 30, 2004, inclusive, provided that (i) the Executive Board of the IMF has approved before January 31, 2004, a second year program under the Poverty Reduction and Growth Facility (PRGF) with Nicaragua and (ii) Nicaragua has made on due dates the payments referred to in this Agreement.
3. The Consolidation Period shall be further extended to apply to the period October 1, 2002 through September 30, 2005 inclusive, provided that (i) the Executive Board of the IMF has approved before September 30, 2004, a third year program under the PRGF with Nicaragua and (ii) Nicaragua has made on due dates the payments referred to in this Agreement.

4. Nicaragua shall seek to secure from external public or private creditors reduction and reorganization arrangements on terms comparable to those set forth in the Minute for credits of comparable maturity, making sure to avoid inequity between different categories of creditors.
5. Nicaragua guarantees the immediate and unrestricted transfer of the foreign exchange counterpart of all amounts paid in local currency by private debtors in Nicaragua for servicing debt owed to, guaranteed, or insured by the United States.
6. Nicaragua shall pay all amounts due and not paid, which are not covered by this Agreement, which are owed to, guaranteed by, or insured by, the United States or its Agencies, as soon as possible, but no later than June 30, 2003. Additional interest will be charged on these amounts at the rates contained in the original Contracts.
7. Except as may be modified by this Agreement, all terms of the Contracts remain in full force and effect.
8. With respect to amounts owed to Ex-Im Bank under this Agreement, Nicaragua (referred to as the "Government" in Annex C hereto) agrees to the additional terms and conditions set forth in Annex C.
9. With respect to amounts owed to USAID under this Agreement, Nicaragua (referred to as the "Government" in Annex D hereto) agrees to the additional terms and conditions set forth in Annex D.
10. With respect to amounts owed to DoD under this Agreement, Nicaragua (referred to as the "Government" in Annex E hereto) agrees to the additional terms and conditions set forth in Annex E.

ARTICLE V

Subsequent Debt Reduction

1. If Nicaragua maintains satisfactory financial relations with the Participating Creditor Countries, fully implements all external debt agreements signed with them, maintains a sound economic reform track record, and the Boards of the IMF and the World Bank decide that Nicaragua has reached its Completion Point, the United States agrees, in principle, to

participate in a Paris Club meeting convened for the purpose of considering treatment of Nicaragua's stock of debt. The United States agrees, in the context of equitable burden sharing among creditors, to take such actions as it deems appropriate to enable Nicaragua to reach its debt sustainability objective.

2. The United States agrees, in principle, to cancel 100 percent of the principal outstanding under the Contracts, as modified by this Agreement or any other agreements reached between Nicaragua and the Participating Creditor Countries, if the Participating Creditor Countries convene a meeting to discuss the treatment of Nicaragua's stock of debt and agree at that meeting to reduce Nicaragua's stock of debt.
3. If, following the conclusion of the Consolidation Period, the Paris Club determines that conditions in Nicaragua warrant additional interim debt relief, the United States agrees, in principle, to cancel 100 percent of Nicaragua's principal and interest falling due during the interim period agreed to by the Paris Club.

ARTICLE VI

Suspension or Termination

1. The United States may suspend or terminate this Agreement by giving sixty (60) days written notice to Nicaragua. In particular, the United States may terminate all or part of this Agreement, if the Participating Creditor Countries determine that Nicaragua has not met its obligations under the Minute, including those of comparable treatment. If the United States terminates all or part of this Agreement, all payments consolidated and cancelled under this Agreement shall be due and payable immediately upon notification to Nicaragua of termination, with the exception of installments of principal and interest under the Contracts that have not yet been consolidated pursuant to the terms of this Agreement. Such installments shall be payable in accordance with the terms of the underlying Contracts.
2. This Agreement may be amended or modified by mutual consent of the United States and Nicaragua.

ARTICLE VII

Entry into Force

This Agreement shall enter into force following signature of the Agreement and written notice to Nicaragua by the United States that all necessary domestic legal requirements for entry into force of the Agreement have been fulfilled.

Done at Managua, Nicaragua, in the English and Spanish languages, both being equally authentic, this 25th day of April, 2003.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA

FOR THE GOVERNMENT OF THE
REPUBLIC OF NICARAGUA

Barbara C. Howe

M. B. Alonso

Annex A

Contracts Subject to Reduction

Ex-Im Bank

R-180
R-180A
R-234
R-234A
R-234B
R-234

USDA PL-480

2/9/98
10/20/98

AID HG

524-HG-003A01
524-HR-006
524-HR-009

524-HR-001
524-HR-007
524-HR-010

524-HR-003
524-HR-008

DoD

NU-928R, dated May 13, 1992
NU-997D, dated October 20, 1998
NU-997E, dated October 20, 1998
NU-997F, dated October 20, 1998
NU-997H, dated October 20, 1998

Annex B1

Summary of Consolidated Debt
and Consolidated Arrears for the Consolidation Period October
1, 2002 through September 30, 2003
(thousands of US dollars)

Ex-Im	\$19,329
USDA PL-480	\$ 98
AID HG	\$ 8,502
DoD	\$200
 TOTAL	 \$28,129

Annex B2

Summary of Consolidated Debt
and Consolidated Arrears for the Consolidation Period October
1, 2002 through September 30, 2004
(thousands of US dollars)

Ex-Im	\$20,981
USDA PL-480	\$ 847
AID HG	\$10,722
DoD	\$ 266
 TOTAL	 \$32,816

Annex B3

Summary of Consolidated Debt
and Consolidated Arrears for the Consolidation Period October
1, 2002 through September 30, 2005
(thousands of US dollars)

Ex-Im	\$22,627
USDA PL-480	\$ 1,694
AID HG	\$12,937
DoD	\$ 332
 TOTAL	 \$37,590

Annex C

Additional Terms and Conditions With Respect to Amounts Owing to Ex-Im Bank

The Government of the Republic of Nicaragua, (hereinafter referred to as the "Government"), agrees to the following additional terms and conditions with respect to the amounts owing to Ex-Im Bank, guaranteed by Ex-Im Bank, or insured by Ex-Im Bank, pursuant to the attached Agreement between the United States of America and the Government:

A. Representations. The Government represents and warrants that it has taken all actions necessary or advisable under its laws and regulations to authorize the execution, delivery and performance of this Agreement and that this Agreement constitutes the valid and binding obligations of the Government, enforceable against the Government in accordance with its terms and for the performance of which the full faith and credit of the Government is pledged. The Government acknowledges that the activities contemplated by this Agreement are commercial in nature rather than governmental or public and agrees that, to the extent that it has or hereafter may acquire immunity from suit, judgment and/or execution, it will not assert or claim any such right of immunity with respect to any action by Ex-Im Bank to enforce the Government's obligations under this Agreement.

B. Miscellaneous Provisions.

1. Expenses. The Government shall pay on demand all reasonable costs and expenses incurred by or charged to Ex-Im Bank in connection with or arising out of this Agreement, including without limitation costs and legal fees incurred by or charged to Ex-Im Bank in connection with the enforcement of this Agreement.

2. Adjustments. On or about 135 days after the execution of this Agreement, Ex-Im Bank shall inform the Government of the actual amounts to be reduced hereunder. The parties hereto agree to make any necessary adjustments to the amounts being reduced.

3. Communications. All communications between the Government and Ex-Im Bank under this Agreement shall be in writing, in the English language (or accompanied by an accurate English translation). All communications to the Government shall be addressed to the Government at the address designated by the Government from time to time in writing to Ex-Im Bank; all communications to Ex-Im Bank shall be addressed to Ex-Im Bank at the following address:

Export-Import Bank of the United States

811 Vermont Avenue, N.W.

Washington, D.C. 20571

Attention: Treasurer-Controller

Telex: 89461 EX-IM BANK WSH

197681 EXIM UT

Facsimile: (202) 565-3294

Reference: Ex-Im Bank Loan R-0279

4. Governing Law. The Ex-Im Bank portion of this Agreement shall be governed by and construed in accordance with, the laws of the District of Columbia, United States of America.

Annex D

Additional Terms and Conditions with Respect
to Amounts Owing to USAID

A. General Provisions.

1. Adjustments. Following the execution of this Agreement, USAID shall inform the Government of the actual amounts to be reduced hereunder. The parties hereto agree to make any necessary adjustments to the amounts being reduced under this Agreement and such amounts may be further adjusted, from time to time, as the parties may mutually agree.

2. Future consolidations. If the terms of this Agreement provide for the consolidation period to be extended beyond the initial consolidation period, and provided conditions contained in the Agreement are met, USAID will manage each extended period as a separate loan and identify it with a separate loan number and interest rate. Following notification that the conditions have been met, USAID will inform the Government of the actual amounts to be rescheduled under that consolidation, provide a repayment schedule of those amounts, and notify the Government of the applicable interest rate(s).

3. Communications. All communications between the Government and USAID shall be in writing in the English language (or accompanied by an accurate translation). All communications to the Government shall be addressed as the Government may designate from time to time in writing to USAID. All communications to USAID shall be addressed as follows:

Chief
Office of Financial Management, Loan Management Division (FM/LM)
USAID
1300 Pennsylvania Avenue, N.W.
Room 2.10.B56
Washington, D.C. 20523
Fax: (202) 216-3541

USAID may change this designated address upon written notice to the Government.

4. Authorized Representatives. The Government shall designate in writing duly authorized representatives permitted to perform any and all actions required under this Agreement and may change its designated representatives by written notice to USAID. USAID may accept the signature of such representatives on any instrument as conclusive evidence that any such action effected by such instrument is authorized by the Government until receipt of written notice of revocation of their authority.

5. Governing Law. The USAID portion of this Agreement will be governed by and construed in accordance with the laws of the District of Columbia, United States of America.

6. Expenses. The Government shall reimburse USAID, upon demand, for all reasonable and documented expenses (including legal fees) incurred by or charged to USAID in connection with or arising out of enforcement of this Agreement.

Annex E

Additional Terms and Conditions With Respect to
Amounts Owing to DoD

No failure or delay on the part of the Department of Defense to exercise any right, power or privilege under this Agreement shall operate as a waiver thereof.

All statements, reports, certificates, opinions and other documents or information furnished to the Department of Defense under this Agreement shall be supplied by the Government without cost to the Department of Defense.

The Government shall reimburse the Department of Defense, on demand, for all reasonable and documented out-of-pocket expenses (including legal fees) incurred by the Department of Defense in connection with the enforcement of this Agreement.

To the extent that the Government has or hereafter may acquire immunity from suit, judgment, and/or execution, the Government agrees that it shall not assert or claim any such right of immunity with respect to any action to enforce its obligations under this Agreement, except as provided for in the Government's judicial codes with respect to execution through the courts of the Government.

Upon entry into force of this Agreement, the Department of Defense shall consider arrears as having been rescheduled or forgiven for the purposes of resuming the provision of assistance to the Government. The Department of Defense will notify the Government of the amounts rescheduled, or forgiven.

The Department of Defense portion of this Agreement shall be governed by, and construed in accordance with, the laws of the District of Columbia, United States of America.

All communications between the Government and the Department of Defense shall be in writing, in the English language at the following address:

Defense Security Cooperation Agency
Crystal Gateway North
Suite 303
1111 Jefferson Davis Highway
Arlington, VA 22202-4306
Facsimile: (703) 604-6538